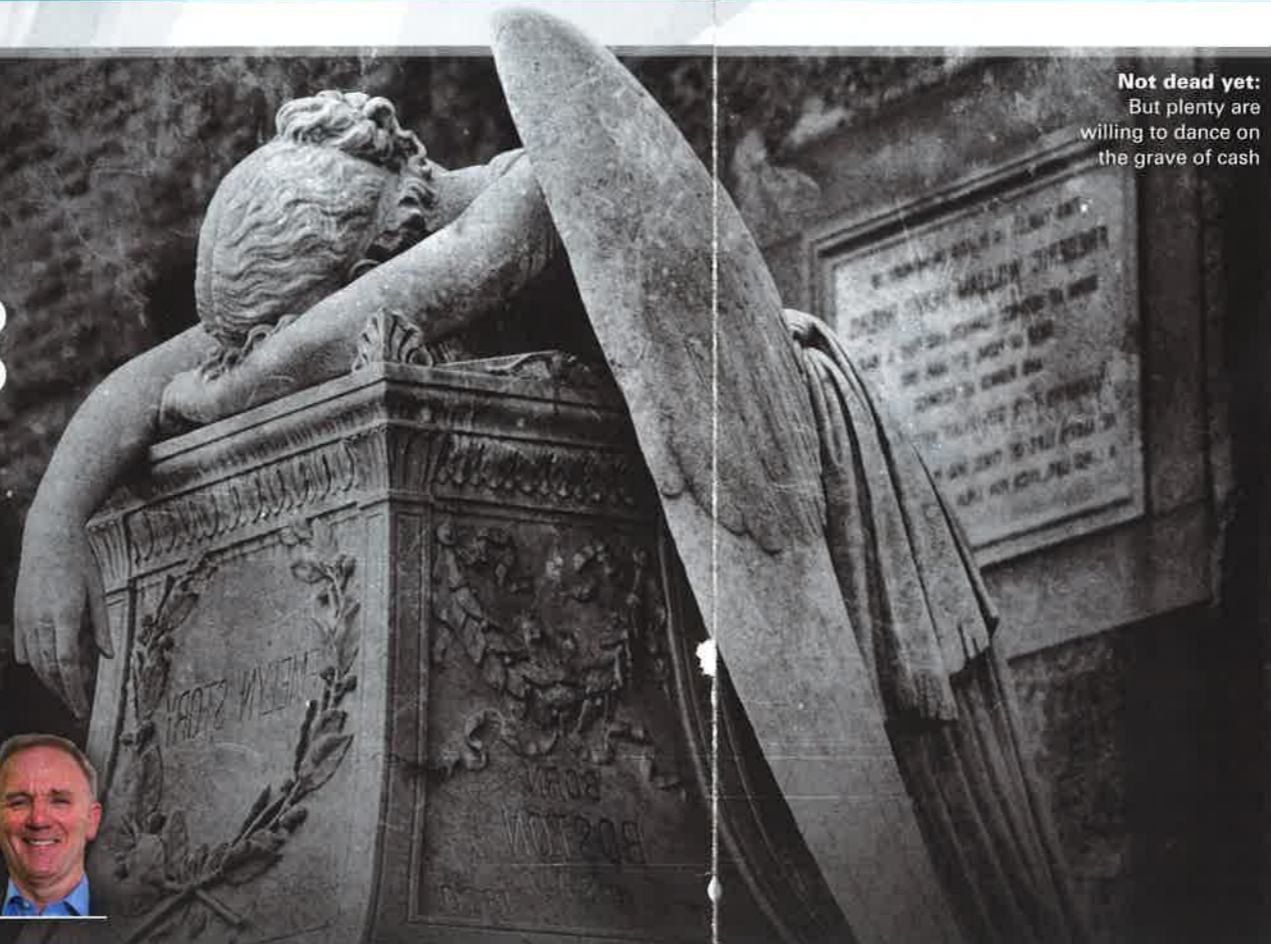


Cashless societies: Fact and fiction

Reports of the death of cash have been much exaggerated, says **Ron Delnevo**, European Executive Director at the **ATMIA**. In this whistle-stop world tour, he sets out to prove it



Not dead yet: But plenty are willing to dance on the grave of cash

As a fairly seasoned international traveller, as well as a keen observer of all things payments, I have significant first-hand experience of the cashless society propaganda machine spinning its fiction ever-faster, world-wide in an effort to make it reality.

Some of the propaganda is aimed at convincing us, the continuing users of cash, that the end of our old-fashioned world is nigh. The implication is that we need to leap aboard the Good Ship Cashless, or we will be left stranded in a dark place, where all hope is gone and the sun will never shine again.

Another element of the propaganda is around trying to persuade us that only criminals use cash, implying that those who prefer fiat currency are soon likely to be behind bars – and not the type that offer fancy cocktails.

The final thrust of this propaganda extols the virtue of us having a common sense approach to cost. Cash costs too much, we are constantly informed. Silly, old, empty-headed us, wanting to continue to use cash, when costs must be reduced for the sake of all.

In this article, I will rip apart these cashless

propagandists and expose their nonsense for what it is: big budget fiction.

TAKE SWEDEN Almost every article I read or presentation I listen to about Swedish payments blasts out the message that it is difficult to use cash in Sweden because so many shops and restaurants now refuse to accept the world's longest-established payment method.

FICTION On a recent visit to Stockholm, I used cash for every purchase I made and never saw a sign proclaiming that cash would not be accepted. Underlining this is a recent report from Niklas Arvidsson, a respected Nordic researcher, which revealed that 97 per cent of Swedish businesses still accept cash for payment.

TAKE CHINA The world's media is crammed full of reports that Alipay and WeChat Pay are now so powerful in China that cash is often refused, even in street markets.

FICTION On a recent visit to China, I used cash everywhere without the slightest difficulty. It was never refused, including by beggars, who seemed not to have the handheld terminals I had read about in

magazines. Mobile payment methods are popular in China – but they are a long way off being as popular as cash.

TAKE INDIA The government, led by Prime Minister Modi, told us that much of the currency held as a store of value in India was in the hands of criminals and tax evaders. When the country's highest value bank notes were recalled by the country's Central Bank, the world was led to expect that a high percentage would not be redeemed, because the felons and tax dodgers would not dare to return their ill-gotten gains to the bank.

FICTION According to reports, around 99 per cent of all old bank notes have been returned to the Indian Central Bank.

Those holding cash in India were overwhelmingly people like us, sharing our uncertainty about the future, keeping a reserve of cash in case of an unforeseen crisis. In Europe, we would call it saving for a rainy day. Mr Modi certainly created a rainy day with his ill-conceived demonetisation. In fact, he visited a monsoon of misery on the honest, decent people of India whose only 'crime' it seems is to trust cash more than they trust their Prime Minister.

Ironically, the unintended consequence of demonetisation has been to make most Indians even less trustful of their leaders. The Indian Central Bank is now having to print vast quantities of new bank notes to meet increased demand from those who use it as an emergency store of value. They are trying to ensure that they will never again be caught out by the games politicians play.

TAKE THE UK The anti-cash vested interests are continually telling us that cash is too expensive to process. This nonsense was one of the justifications given by then London Mayor Boris Johnson and Transport for London, for ceasing to accept cash on buses as payment for fares.

By the way, the other reason given was security, i.e. it was too dangerous for bus drivers to accept cash. Once again, complete rubbish. Cash continues to be accepted on buses for fares in Los Angeles – a city where gun crime is a significant problem. Are they saying is London is more dangerous than Los Angeles?

Anyway, back to the high cost of cash. **FICTION** Every year or so, the British

Retail Consortium, the trade association representing 80 per cent of the UK's major retailers, produces the results of its survey of the total cost to its members of processing cash payments – and every year, cash is acknowledged as the cheapest payment method for retailers to process.

TAKE KENYA Kenya has M-Pesa, a mobile phone-based money transfer, financing and microfinancing service, introduced in 2007. M-Pesa is now used by more than 17 million adults – more than two-thirds of the adult population – and, reportedly, accounts for more than 25 per cent of the country's gross national product.

So, cash is clearly under threat from mobile innovation?

FICTION Many M-Pesa users simply use the system to withdraw cash from the network of agents – mostly small retailers – the company has recruited around the country. Used in this way, M-Pesa is really a form of cashback and works very conveniently in thousands of communities in Kenya. Problems can arise, of course, if the shops do not have enough cash to service demand, but there are not many reports of this being a serious issue.

As for M-Pesa creating an economic

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'miracle' in Kenya, as is sometimes claimed, unemployment figures do not support this analysis.

In 2008, one year after M-Pesa was launched, Kenya's unemployment rate stood at 11.24 per cent. It then increased and did not become lower than the 2008 level until 2016. As miracles go, it's not startling.

However, there is absolutely no doubt that M-Pesa has been an excellent new product. Its role in allowing easier access to cash is a perfect illustration of how radical technological innovation can mesh with established technology

to improve services to the public. Millions of Kenyans would happily testify as to how their lives have changed for the better since M-Pesa was introduced.

TAKE THE WORLD Marketing by the huge international card schemes focusses on the death of cash. Card schemes spend hundreds of millions of dollars each year on advertising with basically the same storyline: the king is dead – long live cards!

FICTION Cash is used for around 85 per cent of payments made on the planet. There are, of course, wide variations, but those nations claimed (erroneously) by some to be nearly cashless, such as Sweden, usually have tiny populations.

There is no country with a population of more than 15 million that is anywhere close to being cashless.

Given that plastic payment cards were first introduced in 1950 – long before the first ATM – the combined marketing efforts of card schemes could be characterised as having been abject failures.

In fact, to spend 58 years and billions of dollars promoting cards to have a 15 per cent or lower market share might be described as quite a dismal performance.

Anyway, that concludes for now my world tour, aimed at refuting the fictions of the anti-cash brigade.

There are many more examples that I could have given but I am sure you have already grasped my direction of travel. However, there is a proviso I must make clear.

While cash is not dead, there is no doubt that the card scheme marketing budgets, which are now largely promoting the 'magic' of contactless cards, are beginning to make more of an impact.

Many of us are being won over by hype, such as, for example, that security is not an issue – they tell us that fraud costs will be met by card schemes and don't worry, you won't spend more than you can afford, and so on and so on...

Cash as a payment method hasn't needed any marketing support for 2,700 years – but it does now. Those who support cash must no longer be the silent majority.

We must shout out our support from the rooftops – and make sure that we are not ignored. With the support of all of us, cash will be around for another 2,700 years. Let us make sure it is.